

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Port Austin	County Huron
Fiscal Year End 03/31/07	Opinion Date 09/17/07	Date Audit Report Submitted to State 09/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No Single Audit Reports required	
Certified Public Accountant (Firm Name) Nietzke & Faupel, PC		Telephone Number 989-453-3122	
Street Address 7274 Hartley Street		City Pigeon	State MI
		Zip 48755	
Authorizing CPA Signature 		Printed Name Brian Hazard	License Number 1101014007

**TOWNSHIP OF PORT AUSTIN  
HURON COUNTY, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2007**

TOWNSHIP OF PORT AUSTIN

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PORT AUSTIN TOWNSHIP  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members  
Township of Port Austin  
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Port Austin, Huron County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise Township of Port Austin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Port Austin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Port Austin, as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplemental information on pages iii through vi and 17 through 21 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

(Continued)

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Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

## Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Port Austin's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nietzke & Faupel, PC*  
NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

September 17, 2007

Our discussion and analysis of Township of Port Austin's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

The following points represent the most significant financial highlights for the year ended March 31, 2007. These points are discussed in further detail in this discussion and analysis.

- The Fund balance in the general fund increased from \$200,796 to \$283,551 during the past year. The increase of \$82,755 is due primarily from the decrease in road construction expenses.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

**The Township as a Whole**

The following table shows a condensed view of the net assets as of March 31, 2007

	Governmental Activities	Total
Current assets	\$ 454,373	\$ 454,373
Non current assets	108,550	108,550
Total assets	<u>\$ 562,923</u>	<u>\$ 562,923</u>
Current liabilities	\$ 18,448	\$ 18,448
Non current liabilities	55,463	55,463
Total liabilities	<u>\$ 73,911</u>	<u>\$ 73,911</u>
Net assets:		
Invested in capital assets	\$ 108,550	\$ 108,550
Restricted	130,392	130,392
Unrestricted	250,070	250,070
Total net assets	<u>\$ 489,012</u>	<u>\$ 489,012</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$250,070. This is approximately 51% of the total net assets for governmental activities. Restricted net assets consist of \$126,884 reported in the General Fund - \$118,375 for road construction and \$8,509 for debt service; and 3,508 in the Cemetery Perpetual Care Fund for perpetual care, of which \$3,425 is nonexpendable.



The following table shows the changes of the net assets during the year ended March 31, 2007:

	Governmental Activities	Total
Net assets-beginning of year	\$ 400,761	\$ 400,761
Revenue		
Program revenues:		
Charges for services	6,272	6,272
Capital grants and contributions	1,533	1,533
General revenues:		
Property taxes	354,821	354,821
State shared revenues	71,716	71,716
Unrestricted Investment earnings	4,901	4,901
Miscellaneous	32,426	32,426
Total revenues	471,669	471,669
Expenses		
General government	188,514	188,514
Public safety	50,485	50,485
Highways and streets	75,600	75,600
Parks and recreation	500	500
Library	65,579	65,579
Interest on long - term debt	2,740	2,740
Total expenses	383,418	383,418
Change in net assets	88,251	88,251
Net assets - ending	\$ 489,012	\$ 489,012

**The Township's Funds**

Our analysis of the Township's major funds begins following the entity-wide financial statements presented in this financial report. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes, as well as, to show accountability for certain activities. The Township's major funds for the year ended March 31, 2007 include the General Fund and The Library Fund.

Other nonmajor funds utilized by the Township include the Cemetery Perpetual Care Fund ( a permanent fund).

The fund balance in the General Fund increased by \$82,755 during the fiscal year. This is due, largely, to road construction tax revenue that was in excess of the related expenditures. The Library Fund's fund balance increased by \$6,491.

**Capital asset and Debt Administration**

As of March 31, 2007, Township of Port Austin had a total of approximately \$108,550 (net of depreciation) invested in capital assets including land, buildings and equipment.

Debt service totaled \$9,948 (\$7,208 principal and \$2,740 interest) in the past year on long-term debt with a remaining outstanding balance of \$55,463.

**Economic Factors and Next Year's Budgets and Rates**

The Township completed the re-paving project of local roads during the past year. With no major road construction projects scheduled for the upcoming year, the board plans to replenish the fund balance for future road construction projects.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Marvin Goretski, Township supervisor or Cheryl Gray, Township clerk, 8265 Van Dyke Road, Port Austin, MI 48467.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF PORT AUSTIN**

**STATEMENT OF NET ASSETS**

**March 31, 2007**

<b><u>ASSETS</u></b>	<b>GOVERNMENTAL <u>ACTIVITIES</u></b>
Cash on hand and in bank	\$ 346,562
Receivables:	
Taxes	43,346
Special assessments	64,465
Capital assets:	
Land and building	79,188
Furniture and equipment	27,235
Books, audio and videos	96,600
Less: Accumulated depreciation	(94,473)
<b>TOTAL ASSETS</b>	<hr/> 562,923 <hr/>
<b><u>LIABILITIES</u></b>	
Accounts payable	12,204
Payroll withholdings payable	1,981
Due to other governments	4,263
Note payable - Bank	55,463
<b>TOTAL LIABILITIES</b>	<hr/> 73,911 <hr/>
<b><u>NET ASSETS</u></b>	
Invested in capital assets	108,550
Restricted for:	
Perpetual care - expendable	83
Perpetual care - nonexpendable	3,425
Roads	118,375
Debt service	8,509
Unrestricted	250,070
<b>TOTAL NET ASSETS</b>	<hr/> \$ 489,012 <hr/>

The accompanying notes are an integral  
part of the financial statements.

**TOWNSHIP OF PORT AUSTIN**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUES &amp; CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<b><u>Governmental Activities</u></b>					
General government	\$ 188,514	\$ 5,195			\$ (183,319)
Public safety	50,485				(50,485)
Highways and streets	75,600				(75,600)
Parks and recreation	500				(500)
Library	65,579	1,077		\$ 1,533	(62,969)
Interest on long-term obligations	2,740				(2,740)
<b>Total Governmental Activities</b>	<b><u>\$ 383,418</u></b>	<b><u>\$ 6,272</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,533</u></b>	<b><u>(375,613)</u></b>
<b>General Revenue:</b>					
					354,821
					71,716
					4,901
					32,426
					<u>463,864</u>
					<u>88,251</u>
					400,761
					<u>\$ 489,012</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF PORT AUSTIN**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**March 31, 2007**

			<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>	<b><u>GENERAL</u></b>	<b><u>LIBRARY</u></b>		
Cash on hand and in bank	\$ 262,207	\$ 75,496	\$ 8,859	\$ 346,562
Receivables:				
Taxes	43,346			43,346
Due from other funds		4,256		4,256
Special assessments	64,465			64,465
<b>TOTAL ASSETS</b>	<b><u>\$ 370,018</u></b>	<b><u>\$ 79,752</u></b>	<b><u>\$ 8,859</u></b>	<b><u>\$ 458,629</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 11,502	\$ 702		\$ 12,204
Payroll withholdings payable	1,981			1,981
Due to other funds	4,256			4,256
Due to other governments	4,263			4,263
Deferred revenue	64,465			64,465
<b>TOTAL LIABILITIES</b>	<b><u>86,467</u></b>	<b><u>702</u></b>		<b><u>87,169</u></b>
 <b>FUND BALANCES:</b>				
Reserved for perpetual care			\$ 3,508	3,508
Reserved for roads	118,375			118,375
Reserved for debt service	8,509			8,509
Unreserved	156,667	79,050	5,351	241,068
<b>TOTAL FUND BALANCES</b>	<b><u>283,551</u></b>	<b><u>79,050</u></b>	<b><u>8,859</u></b>	<b><u>371,460</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 370,018</u></b>	<b><u>\$ 79,752</u></b>	<b><u>\$ 8,859</u></b>	<b><u>\$ 458,629</u></b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF PORT AUSTIN**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE  
TO GOVERNMENTAL ACTIVITIES NET ASSETS  
MARCH 31, 2007**

<b>Total governmental fund balances</b>	<b>\$ 371,460</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$203,023 less the accumulated depreciation of \$94,473.	108,550
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Long - term receivables such as special assessments are expected to be collected over several years in the governmental funds and are not available to pay for current year expenditures.	64,465
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Long - term liabilities are not due and payable in the current period and are not reported in the funds.	(55,463)
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<b>Net assets - governmental activities</b>	<b><u>\$ 489,012</u></b>
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TOWNSHIP OF PORT AUSTIN  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>GENERAL</u>	<u>LIBRARY</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>				
Taxes	\$ 273,534	\$ 45,919		\$ 319,453
Administration fees	35,368			35,368
Penal and book fines		12,675		12,675
Licenses and permits	2,920			2,920
State revenue sharing	68,759	2,957		71,716
Charges for services	5,195	4,134	\$ 600	9,929
Investment income	3,648	1,170	83	4,901
Other	18,278	5,640		23,918
Contribution from private source		750		750
<b>TOTAL REVENUES</b>	<u>407,702</u>	<u>73,245</u>	<u>683</u>	<u>481,630</u>
<b>EXPENDITURES:</b>				
General government	187,386			187,386
Public safety	50,485			50,485
Public works	75,600			75,600
Parks and recreation	500			500
Capital outlay	1,028			1,028
Debt service	9,948			9,948
Library		66,754		66,754
<b>TOTAL EXPENDITURES</b>	<u>324,947</u>	<u>66,754</u>		<u>391,701</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>82,755</u>	<u>6,491</u>	<u>683</u>	<u>89,929</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	200,796	72,559	8,176	281,531
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 283,551</u>	<u>\$ 79,050</u>	<u>\$ 8,859</u>	<u>\$ 371,460</u>

The accompanying notes are an integral  
part of the financial statements.



**TOWNSHIP OF PORT AUSTIN**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

<b>Net change in fund balance - governmental funds</b>	<b>\$ 89,929</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
*Statement of Activities*, assets with an initial, individual cost of more than  
\$500 are capitalized and the cost is allocated over their estimated useful  
lives and reported as depreciation expense. This is the amount by which  
capital outlays exceeded depreciation in the current period.

Capital outlays	19,164	
Depreciation expense	<u>(17,306)</u>	1,858

Repayment of principal of debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	7,208
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Special assessment revenue is recorded in the statement of activities when the project is substantially complete. The revenue is not reported in the governmental funds if it is not collected by the fiscal year end or within 60 days of year end.	(10,744)
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 88,251</u></b>
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TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Township is located in Huron County, Michigan, and has approximately 1,600 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, highways and streets, cemetery services, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township is discussed below.

**Reporting Entity**

The accompanying financial statements present the Township of Port Austin (primary government) and its component unit, an entity for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. The following is a brief review of each potential component unit addressed in defining the government's reporting entity, in accordance with the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14.

**Blended Component Unit**

**Port Austin Township Library**

The Port Austin Township Library (Library) is included as part of the Township for financial reporting purposes because of its financial dependence on the Township. The financial statements of the Library have been blended with those of the primary government and are included in the Special Revenue Fund category.

The financial records of the Port Austin Township Library are on file at the Library, which is located at 114 Railroad Street, Port Austin, Michigan 48467.

**Joint Venture**

The Township participates in a cooperative unit with the Port Austin Fire Department. See Note 6 for further disclosures. The joint venture does not meet the criteria for inclusion in the financial reporting entity as a component unit, but is discussed in the notes because of the nature of its relationship to the Township.

(Continued)

TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Government Wide and Fund Financial Statements:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental or business type. The Township's general administrative services, public safety, highways and public improvements, library and cemetery are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally, are supported by taxes and intergovernmental revenues, are reported separately from business – type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

(Continued)

TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

State revenue sharing and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operations of the Township of Port Austin Library.

Additionally, the Township reports the following nonmajor governmental funds:

**Permanent Fund** – Permanent Funds are used to account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for purposes that support the report in the government's programs – that is, for the benefit of the government or its citizenry. The Township utilizes a Cemetery Perpetual Care Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans or "advances to/from other funds"). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2007 consist of property taxes and special assessments. Taxes and special assessments are deemed collectible in full.

**Property Taxes:**

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

**Capital Assets:**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 40
Office furniture and equipment	5
Books, audio and video	5

(Continued)

TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Capital Assets: (Continued)**

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the Governmental Activities Statement of Net Assets. Depreciation expense for the year ended March 31, 2007 was \$17,306. Capital asset acquisitions in the governmental funds totaled \$19,164 for the year ended March 31, 2007. A summary of Governmental Fund capital assets at March 31, 2007, follows:

Land (Non depreciated)	\$ 37,620
Buildings and improvements	41,568
Furniture and equipment	27,235
Books, audio and videos	96,600
Less accumulated depreciation	<u>(94,473)</u>
<b>NET GOVERNMENTAL FUND CAPITAL ASSETS</b>	<b><u>\$ 108,550</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 1,128
Library	<u>16,178</u>
Total Depreciation expense – governmental activities	<b><u>\$ 17,306</u></b>

**Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Interfund Receivables and Payables:**

At March 31, 2007, the balance of interfund receivables and payables was as follows:

	Interfund Receivable	Interfund Payable
General Fund		\$ 4,256
Library Fund	\$ <u>4,256</u>	
<b>Total</b>	<b><u>\$ 4,256</u></b>	<b><u>\$ 4,256</u></b>

Other receivables at March 31, 2007 consist of property taxes. Taxes are deemed collectible in full.

(Continued)

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 2 – CASH AND DEPOSITS:**

At March 31, 2007, the Township has a carrying amount of \$346,562 of deposits (cash and deposits) in local banks and the bank balance was \$376,566. Of the bank balance, \$376,566 was covered by the Federal Deposit Insurance Corporation. Since the Township's deposits are insured these deposits are not subject to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk..

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township's investment policy does not specifically address credit risk, custodial credit risk, concentration of credit risk, or interest rates risk in accordance with GASB Statement 40.

**NOTE 3 – LONG TERM DEBT:**

The Township borrowed the funds to pay for road work. The road work was financed by a loan of \$80,000 which was obtained from a commercial bank with an interest rate of 4.50%. Information regarding the repayment terms follows. The debt will be repaid by a special assessment tax levy that expires in 2013.

The following is a summary of debt transactions of the Township for the year ended March 31, 2007:

	<u>Hellems Road</u>
Note:	
Payable April 1, 2006	\$ 62,671
Retired	<u>(7,208)</u>
Payable March 31, 2007	<u>\$ 55,463</u>

(Continued)

TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 3 – LONG TERM DEBT: (CONTINUED)**

Maturities for the Note Payable	Note Payable	
Fiscal Year Ending	Hellems Road	
<u>March 31</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,536	\$ 2,412
2009	7,879	2,069
2010	8,238	1,711
2011	8,613	1,336
2012	9,005	944
2013	9,414	534
2014	<u>4,778</u>	<u>106</u>
	<u>\$55,463</u>	<u>\$9,112</u>

Total interest expense for the Township for the year ended March 31, 2007 was \$2,740.

**NOTE 4 – PROPERTY TAXES:**

Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2006 tax levy is as follows:

	<b><u>ASSESSED VALUE</u></b>	<b><u>TAXABLE VALUE</u></b>
Real and Personal Property	\$149,791,600	\$102,698,327

The Township, as a general law Township, is not authorized to levy taxes without a vote. The Huron County Tax Allocation Board in 1960, allocated up to 1.30 mills per \$1,000 of taxable value for general law townships for general operations. For the year ended March 31, 2007, the Township levied .8785 mills for general governmental services, 1.4637 mills for roads, .4771 mills for library, and .4771 mills for fire. Total millage levied was 3.2964.

**NOTE 5 – BUDGET COMPLIANCE:**

The Township of Port Austin follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Act, prior to March 1, the Township of Port Austin Clerk submits to the Township of Port Austin Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

(Continued)



TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 5 – BUDGET COMPLIANCE: (CONTIUED)**

2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Port Austin Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. Actual expenditures exceeded budgeted expenditures in the following budgetary funds.

	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
<b>General Fund</b>			
Township Hall	\$ 20,550	\$ 21,264	\$ (714)
Public Safety	46,600	50,485	(3,885)

**NOTE 6 – JOINT VENTURE:**

The Township is a constituent member of the Port Austin Fire Department. The Department is a not-for-profit organization which provides fire protection services to the Township. The Department is governed by a board consisting of two representatives from each constituent unit and one additional Board member appointed by a majority vote of the other Board members. All Board members must be residents of a constituent unit. All financial and budgetary decisions are the responsibility of the Department's Board.

The Township's ownership percentage is not specified in the intergovernmental agreement. In the event the Department is dissolved, the agreement specifies the following. The assets and equipment of the Department shall be disposed of in accordance with the agreement of the constituent members. If no agreement can be reached within sixty days, the assets and equipment of the Department shall be divided equally between the constituents.

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating constituent members of the Department in the near future.

The Township assesses all township residents a millage for fire protection services. The Township remits the fire levy collected to the Department. Payments to the Department for the fiscal year ended March 31, 2007 totaled \$45,919 for taxes collected.

(Continued)

TOWNSHIP OF PORT AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 6 – JOINT VENTURE: (CONTINUED)**

The Department's fiscal year ends on March 31<sup>st</sup>. The Department's financial statements have been excluded from the financial statements presented for the Township.

A copy of the Department's financial statements can be obtained from the Port Austin Fire Department, 8633 Lake Street, Port Austin, Michigan 48467.

**NOTE 7 – PENSION PLAN:**

The Township participates in a defined contribution pension plan entitled "Port Austin Township Group Pension Plan" through John Hancock. All elected officials are eligible to join the Plan immediately. There are no age or service requirements. Under the Plan agreement, the township is required to contribute an amount equal to 15% of the annual compensation paid to covered employees. Employees may make voluntary non-deductible contributions to the Plan of 1% - 10% of their annual compensation. Normal retirement age is age 65 or, later, upon completion of ten (but not more than ten) years of participation in the Plan. Early retirement is permitted at any time after reaching age 55. Benefits vest 100% immediately. All contributions to the Plan are invested with John Hancock under an Allocated Retirement Account Contract. Under the contract contributions are allocated to a 10 – year Guaranteed Account. Funds in this account are invested in widely diversified bonds, stocks, mortgages and real estate. Deposits are fully guaranteed as to principal for payment of benefits and as to interest for ten years from the date of deposit in the account. For the year ended March 31, 2007, total wages were \$98,499 and covered wages were \$51,500. Township contributions were \$7,725 and employee contributions were zero.

**NOTE 8 - RISK MANAGEMENT:**

Port Austin Township purchased commercial insurance coverage for all general liability coverage, and the Township also purchased commercial insurance coverage for losses related to worker's compensation claims. For the year ended March 31, 2007, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the year or the three prior years.

**REQUIRED SUPPLEMENTAL INFORMATION**

TOWNSHIP OF PORT AUSTIN  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>TAXES:</b>				
Taxes	\$ 273,300	\$ 246,800	\$ 273,534	\$ 26,734
Administration fees	35,500	33,000	35,368	2,368
<b>TOTAL TAXES</b>	<u>308,800</u>	<u>279,800</u>	<u>308,902</u>	<u>29,102</u>
<b>LICENSES AND PERMITS</b>	3,850	4,750	2,920	(1,830)
<b>INTERGOVERNMENTAL:</b>				
State revenue sharing	67,950	65,700	68,759	3,059
<b>CHARGES FOR SERVICES</b>	10,500	10,500	5,195	(5,305)
<b>INVESTMENT INCOME</b>	2,000	1,200	3,648	2,448
<b>OTHER</b>	20,305	6,808	18,278	11,470
<b>TOTAL REVENUE</b>	<u>413,405</u>	<u>368,758</u>	<u>407,702</u>	<u>38,944</u>
<b>EXPENDITURES:</b>				
<b>General Government</b>				
<b>TOWNSHIP BOARD:</b>				
Trustee salaries	<u>4,600</u>	<u>4,000</u>	<u>4,000</u>	-
<b>SUPERVISOR:</b>				
Salary	9,400	9,000	9,000	-
Deputy supervisor	2,000	2,000	2,000	-
Supplies	<u>400</u>	<u>500</u>	<u>247</u>	<u>253</u>
<b>TOTAL SUPERVISOR</b>	<u>11,800</u>	<u>11,500</u>	<u>11,247</u>	<u>253</u>
<b>ELECTIONS:</b>				
Salary	2,000	3,000	2,820	180
Supplies	<u>2,000</u>	<u>2,000</u>	<u>1,127</u>	<u>873</u>
<b>TOTAL ELECTIONS</b>	<u>4,000</u>	<u>5,000</u>	<u>3,947</u>	<u>1,053</u>
<b>ASSESSOR:</b>				
Salary	29,500	36,780	35,922	858
Tax roll preparation	<u>2,800</u>	<u>5,500</u>	<u>2,174</u>	<u>3,326</u>
<b>TOTAL ASSESSOR</b>	<u>32,300</u>	<u>42,280</u>	<u>38,096</u>	<u>4,184</u>
<b>CLERK:</b>				
Salary	21,700	20,000	20,000	-
Deputy clerk	1,000	1,000	855	145
Travel	<u>100</u>	<u>1,300</u>	<u>1,068</u>	<u>232</u>
<b>TOTAL CLERK</b>	<u>22,800</u>	<u>22,300</u>	<u>21,923</u>	<u>377</u>

(Continued)

TOWNSHIP OF PORT AUSTIN  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>BOARD OF REVIEW:</b>				
Salaries	2,500	1,700	996	704
<b>TREASURER:</b>				
Salary	19,000	18,500	18,500	-
Deputy treasurer	2,000	2,000	1,953	47
Office supplies	1,550	1,550	1,408	142
<b>TOTAL TREASURER</b>	<b>22,550</b>	<b>22,050</b>	<b>21,861</b>	<b>189</b>
<b>CEMETERY:</b>				
Salary	8,500	8,000	6,766	1,234
Repairs and maintenance	4,550	5,100	1,488	3,612
<b>TOTAL CEMETERY</b>	<b>13,050</b>	<b>13,100</b>	<b>8,254</b>	<b>4,846</b>
<b>TOWNSHIP HALL AND GROUNDS:</b>				
Rent	14,400	15,000	14,795	205
Office supplies	350	200	193	7
Repairs	900	750	840	(90)
Supplies	700	800	1,481	(681)
Utilities	4,400	3,800	3,955	(155)
<b>TOTAL TOWNSHIP HALL AND GROUNDS</b>	<b>20,750</b>	<b>20,550</b>	<b>21,264</b>	<b>(714)</b>
<b>PLANNING AND ZONING:</b>				
Salaries	7,200	7,650	7,305	345
Supplies	2,750	400	389	11
Travel	800	800	560	240
<b>TOTAL PLANNING AND ZONING</b>	<b>10,750</b>	<b>8,850</b>	<b>8,254</b>	<b>596</b>
<b>ADMINISTRATION:</b>				
Office assistant salary	1,000	1,000	884	116
Water wage salary	2,000	2,000	2,167	(167)
Dues	1,650	1,560	1,538	22
Insurance	11,600	11,600	10,466	1,134
Legal and professional	11,000	14,015	9,806	4,209
Payroll taxes	1,610	2,610	1,381	1,229
Pension	8,600	8,500	8,339	161
Postage	4,000	3,115	3,115	-
Printing and publishing	9,000	8,900	7,202	1,698
Supplies	7,495	2,303	2,646	(343)
<b>TOTAL ADMINISTRATION</b>	<b>57,955</b>	<b>55,603</b>	<b>47,544</b>	<b>8,059</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>203,055</b>	<b>206,933</b>	<b>187,386</b>	<b>19,547</b>

(Continued)

TOWNSHIP OF PORT AUSTIN  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>PUBLIC SAFETY:</b>				
Ambulance	3,000	2,480	2,175	305
Fire	47,700	42,820	46,919	(4,099)
Police	1,400	1,300	1,391	(91)
<b>TOTAL PUBLIC SAFETY</b>	<u>52,100</u>	<u>46,600</u>	<u>50,485</u>	<u>(3,885)</u>
<b>PUBLIC WORKS:</b>				
Road construction	114,500	83,000	63,355	19,645
Dust and brush control	30,000	30,000	5,195	24,805
Drains at large	3,050	1,960	1,950	10
Street lighting	5,500	5,500	5,100	400
<b>TOTAL PUBLIC WORKS</b>	<u>153,050</u>	<u>120,460</u>	<u>75,600</u>	<u>44,860</u>
<b>PARKS AND RECREATION:</b>	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
<b>CAPITAL OUTLAY:</b>				
Township hall	<u>5,000</u>	<u>2,297</u>	<u>1,028</u>	<u>1,269</u>
<b>DEBT SERVICE:</b>				
Principal	7,700	5,000	7,208	(2,208)
Interest expenses	<u>3,000</u>	<u>5,700</u>	<u>2,740</u>	<u>2,960</u>
<b>TOTAL DEBT SERVICE</b>	<u>10,700</u>	<u>10,700</u>	<u>9,948</u>	<u>752</u>
<b>TOTAL EXPENDITURES</b>	<u>424,405</u>	<u>387,490</u>	<u>324,947</u>	<u>62,543</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(11,000)</u>	<u>(18,732)</u>	<u>82,755</u>	<u>101,487</u>
<b>OTHER FINANCING (SOURCES):</b>				
Operating transfers in	142,200	142,200	-	(142,200)
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER SOURCES</b>	<u>131,200</u>	<u>123,468</u>	<u>82,755</u>	<u>(40,713)</u>
<b>FUND BALANCE - APRIL 1, 2006</b>	<u>200,796</u>	<u>200,796</u>	<u>200,796</u>	
<b>FUND BALANCE - MARCH 31, 2007</b>	<u>\$ 331,996</u>	<u>\$ 324,264</u>	<u>\$ 283,551</u>	<u>\$ (40,713)</u>

**TOWNSHIP OF PORT AUSTIN**

**LIBRARY FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL	FINAL		VARIANCE
	BUDGET	BUDGET	ACTUAL	FAVORABLE
				(UNFAVORABLE)
<b>REVENUE:</b>				
Taxes	\$ 42,000	\$42,000	\$45,919	\$ 3,919
State sources	3,100	3,100	2,957	(143)
Contributions from local units	750	750	750	-
Charges for services	700	700	477	(223)
Fines and forfeits	15,000	15,000	12,675	(2,325)
Interest	100	100	1,170	1,070
Rentals	4,700	4,700	5,185	485
Other	5,450	5,450	4,112	(1,338)
<b>TOTAL REVENUE</b>	<u>71,800</u>	<u>71,800</u>	<u>73,245</u>	<u>1,445</u>
<b>EXPENDITURES:</b>				
Salaries	28,700	28,700	28,710	(10)
Payroll taxes	2,220	2,220	2,196	24
Books, periodicals and media	4,000	4,000	2,021	1,979
Insurance	1,000	1,000	1,261	(261)
Miscellaneous	3,300	3,300	2,290	1,010
Professional fees	2,700	2,700	1,570	1,130
Promotion			1,374	(1,374)
Repairs	2,000	2,000	953	1,047
Supplies	2,200	2,200	2,905	(705)
Travel	1,200	1,200	870	330
Utilities	6,800	6,800	5,251	1,549
Capital outlay	17,500	17,500	17,353	147
<b>TOTAL EXPENDITURES</b>	<u>71,620</u>	<u>71,620</u>	<u>66,754</u>	<u>4,866</u>
<b>EXCESS OF REVENUE OVER</b>				
<b>EXPENDITURES</b>	<u>180</u>	<u>180</u>	<u>6,491</u>	<u>6,311</u>
<b>FUND BALANCE - APRIL 1, 2006</b>	<u>72,559</u>	<u>72,559</u>	<u>72,559</u>	
<b>FUND BALANCE - MARCH 31, 2007</b>	<u>\$ 72,739</u>	<u>\$72,739</u>	<u>\$79,050</u>	<u>\$ 6,311</u>

## **SUPPLEMENTAL INFORMATION**



**TOWNSHIP OF PORT AUSTIN**

**TAX COLLECTION AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

<b><u>ASSETS</u></b>	<b>BALANCE APRIL 1, 2006</b>	<b><u>ADDITIONS</u></b>	<b><u>DEDUCTIONS</u></b>	<b>BALANCE MARCH 31, 2007</b>
Cash in bank	\$ 649	\$3,264,862	\$ 3,265,486	\$ 25
<b>TOTAL ASSETS</b>	<b><u>\$ 649</u></b>	<b><u>\$3,264,862</u></b>	<b><u>\$ 3,265,486</u></b>	<b><u>\$ 25</u></b>
 <b><u>LIABILITIES</u></b>				
Due to Huron County	\$ -	\$1,193,034	\$ 1,193,034	\$ -
Due to schools	-	1,671,903	1,671,903	-
Due to library	-	43,552	43,552	-
Due to State	475	472	947	-
Due to other funds	174	355,901	356,050	25
<b>TOTAL LIABILITIES</b>	<b><u>\$ 649</u></b>	<b><u>\$3,264,862</u></b>	<b><u>\$ 3,265,486</u></b>	<b><u>\$ 25</u></b>

**TOWNSHIP OF PORT AUSTIN**

**SCHEDULE OF INDEBTEDNESS - NOTE PAYABLE BANK  
PRINCIPAL AND INTEREST OBLIGATION  
MARCH 31, 2007**

<b>Maturity</b>				
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
10/01/07	\$ 3,725.77	4.500%	\$ 1,248.41	\$ 4,974.18
04/01/08	3,809.60	4.500%	1,164.58	4,974.18
10/01/08	3,895.31	4.500%	1,078.87	4,974.18
04/01/09	3,982.96	4.500%	991.22	4,974.18
10/01/09	4,072.57	4.500%	901.61	4,974.18
04/01/10	4,164.21	4.500%	809.97	4,974.18
10/01/10	4,257.90	4.500%	716.28	4,974.18
04/01/11	4,353.70	4.500%	620.48	4,974.18
10/01/11	4,451.66	4.500%	522.52	4,974.18
04/01/12	4,551.82	4.500%	422.36	4,974.18
10/01/12	4,654.24	4.500%	319.94	4,974.18
04/01/13	4,758.96	4.500%	215.22	4,974.18
10/01/13	4,784.79	4.500%	100.91	4,885.70
	<u>\$ 55,463.49</u>		<u>\$ 9,112.37</u>	<u>\$ 64,575.86</u>

To Township of Port Austin  
Port Austin, Michigan

In planning and performing our audit of the financial statements of the governmental activities of the Township of Port Austin as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Port Austin's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

#### Segregating Duties: Cash Receipts

We noted that duties involving cash receipts are combined whereby one person is completely responsible for the entire cash receipts process. To improve the internal controls over cash receipts, we recommend that the Township establish new procedures for handling incoming checks. We recommend that one person, independent of the accounting records, open the mail and restrictively endorse all incoming checks. This person should keep a daily log of all incoming checks. Copies of the checks should be forwarded to the appropriate person for processing and recording in the accounting system and for timely deposit. A third person should periodically compare and contrast deposit slips to the daily log of incoming checks to ensure that all the receipts were deposited. By segregating the cash handling, recording, and depositing functions, the Township will be able to more accurately track all incoming checks and strengthen the system of internal controls over cash receipts.

#### Authorized Check Signers:

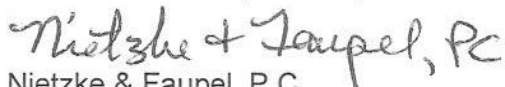
Currently, the Township's clerk is authorized to sign checks and indicates a lack of segregation of duties. We recommend that the clerk be removed as an authorized check signer on the bank accounts.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Preparation of Annual Financial Statements

The personnel of the Township of Port Austin have the capability to perform monthly internal accounting functions and reports as required by the Township. The personnel of the Township of Port Austin do not have the internal expertise to prepare the annual financial statements and related footnotes in accordance with generally accepted accounting principles. We believe this meets the definition of a material weakness under Statement of Auditing Standard #112.

This communication is intended solely for the information and use of management, the Township of Port Austin, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

  
Nietzke & Faupel, P.C.  
Pigeon, Michigan

September 17, 2007